

NO. 807

CHICAGO PNEUMATIC TOOL COMPANY, a corporation
of New Jersey, and CHICAGO PNEUMATIC TOOL
COMPANY, a corporation of Massachusetts

Plaintiffs,

vs.

HUGHES TOOL COMPANY,

Respondent.

**BRIEF OF RESPONDENT IN OPPOSITION TO
PETITION FOR WRIT OF HABEAS CORPUS.**

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INDEX

	PAGE
Statement of case.....	1
No special reason exists for exercise of judicial discretion to grant the writ of certiorari.....	1
Concurring opinions of lower courts followed well-recognized rules of law.....	1
Only unusual feature of litigation was attempt to litigate prior decisions of Third Circuit Courts..	1
Third Count of complaint, here at issue, additionally seeks to have respondent examine its entire patent structure	2
Third Count of complaint seeks opinion as to possible future controversies.....	2
The controversy here suggested is an imaginary abstract controversy as distinguished from one which is definite, concrete, real and substantial..	3
Argument	3
Petitioners' Question 1 considered.....	3
Petitioners' Question 2 considered.....	4
Petitioners' Question 3 considered.....	5
Petitioners' Question 4 considered.....	7
Concurring decisions of the lower courts are not in conflict with any decisions of this Court or of any Circuit Court of Appeals.....	8
There is no conflict of decisions.....	8
Basic question is existence of substantial controversy	8
Lower courts ought not to be narrowly confined in determining whether declaratory judgment is an appropriate remedy	9

	PAGE
A possible controversy in the past does not warrant relief	10
The Court is without power to give advisory opinions and should not decide abstract, hypothetical or contingent questions.....	11
Jurisdiction is to be assumed or denied in the appropriate exercise of the Court's discretion....	11
Adjudication as to alleged sales to the Government must be in the Court of Claims.....	12
Complaint is burdensome in asking the respondent to examine all of its patents, both named and unnamed	12
A trial of all the pretended issues would put an intolerable burden upon the Courts and upon the parties	13

TABLE OF CASES

	PAGE
Aetna Life Insurance Co. v. Haworth, 300 U. S. 227...	9, 11
Alabama State Federation of Labor, et al., v. Robert E. McAdory, et al., 325 U. S. 450.....	10, 11
Altwater v. Freeman, 319 U. S. 359.....	9
Ashwander v. Tennessee Valley Authority, 297 U. S. 288	11
Bettis v. Patterson-Ballagh Corp., 16 Fed. Sup. 455...	6
E. W. Bliss v. Cold Metal Process Co., 102 F. (2) 105...	9
Coffman v. Breeze Corps. Inc., 323 U. S. 316.....	6, 11
Crowell v. Baker Oil Tools, 143 F. (2) 1003.....	10
Dewey & Almy Chemical Co. v. American Anode, Inc., 137 F. (2d) 68.....	4, 5
Great Lakes Dredge and Dock Company v. C. C. Huff- man, 319 U. S. 293.....	11
Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U. S. 270	8
Reliance Life Insurance Co. v. Burgess, 112 F. (2) 234	10

STATUTES AND TEXTS

Borchard on Declaratory Judgments.....	12
U. S. Code, Title 35, Sections 68, 94.....	12

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1946

No. 607

CHICAGO PNEUMATIC TOOL COMPANY, a corporation of New Jersey, and CHICAGO PNEUMATIC TOOL COMPANY, a corporation of Massachusetts,

Petitioners,

vs.

HUGHES TOOL COMPANY,

Respondent.

**BRIEF OF RESPONDENT IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI.**

STATEMENT OF THE CASE.

There is no showing of any special or important reason why in the exercise of sound judicial discretion this court should grant the petition for the writ of certiorari. There is no conflict of decision. On the contrary, the opinions of the District Court (Rec. pp. 41-46) and the Circuit Court of Appeals in affirming the District Court (Rec. pp. 88-89) followed the well recognized rules of law applicable to the particular facts of this case.

The only unusual feature of this action was that it in part constituted an attempt by petitioners to have the courts of the Third Circuit relitigate, review and redeter-

mine a suit for patent infringement that had been successfully prosecuted by respondent against one of the petitioners in the District Court for the Western District of Oklahoma (District Court's Opinion on Counts 1 and 2, Rec. pp. 82-87) grounded on the Scott and Wellensiek patent (Rec. pp. 47-50). The holding of the District Court in this regard was affirmed by the United States Circuit Court of Appeals for the Tenth Circuit (97 F. (2d) 945) and writ of certiorari was denied by this Court (305 U. S. 643, 673). In its inception, this action was brought to have the courts of the Third Circuit enjoin respondent from proceeding with an accounting then being conducted before a duly appointed Special Master pursuant to the Mandate of the Tenth Circuit Court of Appeals.

Additionally it was an attempt, as the Third Count of the complaint discloses (Rec. pp. 4-12), the third being the only count before the Circuit Court of Appeals and this Court, to have respondent file in the District Court of Delaware a statement of any patents which it asserts or intends to assert have been infringed by the petitioners in the last six years. This count also seeks a declaration that none of eleven enumerated patents or any additional patents that such statement might set forth have been infringed by the structure then being made by petitioners and which had been called into question by respondent. The substance of the allegations made by petitioners' third count is that at some time in the future respondent may charge infringement of some patent by some structure petitioners might then make. To make the alleged fear or apprehension seem real, petitioners allege it as coming from three sources. First, petitioners say that many years previously respondent charged infringement of three patents by structures long since discontinued and that the charge "might" be made now, and thereby attempt to resurrect a controversy that had long remained dead and buried. Second, petitioners

allege there was an "omnibus charge" made by some unidentified person to some unidentified person that some unidentified patents were infringed by some unidentified structures (Rec. p. 9). By subsequently filed affidavit (Rec. pp. 39-40) this omnibus charge was found to be related to a letter sent by one of respondent's attorneys to an attorney for one of petitioners in the course of negotiations for the settlement of the pending accounting in the Tenth Circuit, which letter was characterized by the Courts below as "lawyer's chess" (Rec. p. 44). Third, petitioners say that positions taken by respondent in other cases against other parties in other courts involving other structures might, if applied to their products, cause respondent to consider petitioners' products as possibly infringing. Petitioners omit any specific allegation that respondent has ever asserted that petitioners are infringing its patents by selling bits P, Q and R, and only by inferential allegations is an imaginary and abstract controversy suggested as distinguished from a controversy that is definite, concrete, real and substantial.

ARGUMENT.

Question 1. The petition (p. 11) makes the point that the courts below erred in holding that the 1935 notice of infringement was of no value as an item for establishing an actual controversy within the purview of the Declaratory Judgment act. A sufficient answer to such question is that it is not presented by this record. Even if it were, the holding is correct. The complaint does not allege that any present acts of the petitioners have been charged by respondent to constitute an infringement of any of its patent rights. The bit structure to which such earliest notice related had been discontinued years previously (Complaint, pars. 36 and 37, Rec. 5). The District Court so found in its opinion, which finding was adopted by the Circuit Court of Appeals. The specific holding on this point was:

"Ten years ago and six years ago defendant stated it considered the device *then* made by plaintiffs infringing three of defendant's patents. (Emphasis by the Court) * * *

"The ten year old infringement notice should rest in peace. The day for justiciable resurrection has long since passed. Here, in the present, no charge appears that the three-cutter assembly represented by PX, P, Q, and R infringers any of defendant's patents, viz., that what plaintiffs now make or sell has been called into question by defendant with respect to any of its patents." (Rec. p. 44.)

Question 2. The petition (p. 11) and brief in support thereof argue that the courts below erred in holding there is a material difference in determining the question of an "actual controversy" whether the patent owner offers to grant a license or desires to be the exclusive manufacturer. This question, like the first, is not presented by the record.

The question is apparently sought to be related to the holding by the District Court, which was affirmed by the Circuit Court of Appeals, that the case of *Dewey & Almy Chemical Co. v. American Anode, Inc.*, 137 F. (2d) 68, (C.C.A. 3) was clearly distinguishable from the present case. Such holding was correct, and the opinions in the present case cannot reasonably be interpreted as a repudiation of that case or as in conflict therewith. In the *Dewey & Almy* case there had been license negotiations between the parties. These negotiations broke down. A controversy then existed. The significance of the licensing program of Anode was in showing that the controversy continued down to the filing of the declaratory judgment complaint. Anode demanded that any licensee admit validity of 114 patents and patent applications and assign to Anode all its past, present and future improvements relating to any procedure or product within the scope of any of the 114 patents or applications. When license negotiations between Anode

and another company, Lee Tex Rubber Products Co., failed, Anode brought suit against it to stop the alleged "ganging-up" by other manufacturers and to force the extraordinary licensing program on the industry. There was no question of change of process by Dewey & Almy. The facts showed plainly an existing, real, live controversy. These significant distinctions were pointed out by the District Court as follows (Tr. pp. 44, 45):

"There remains the lone question as to what disposition should be made of *Dewey & Almy Chemical Co. v. American Anode Co.*, 3 Cir. 137 F. 2nd 68, cert. den. 320 U. S. 761, which is plaintiff's main reliance under Count 3. The persuasive fact which compelled that decision, according to the opinion, was the extraordinary licensing program which the patent-holder was forcing on the industry. The particular method of doing business prompted the Court to observe, 'The patentee has used its patents as an economic weapon against other alleged infringers who declined to take a license. In its suit against the Lee-Tex Company, Anode has asserted that the coagulant-dip process practiced by that company constitutes an infringement. It is not denied that Anode has thus publicly asserted such a scope for its patents as to embrace the similar methods practiced commercially by Dewey & Almy * * *. It is a fair inference that Anode in bringing suit against the Lee-Tex Company was counting on the in terrorem effect upon other manufacturers * * *'. The declaratory judgment plaintiff in that case had been advised, during negotiations for a proposed license, the extremities to which it would be required to go. It was an example of the 'or-else' doctrine which euphemistically suggested: 'You may take a license or not; it is purely mandatory.' There was nothing in the factual situation in that case comparable to the case at bar.'" (Tr. pp. 44, 45.)

Question 3. The petition (p. 12) presents the asserted question that the courts below erred in holding that two decisions in respondent's favor in other circuits

against other parties on different structures are insufficient to establish an actual controversy between respondent and petitioner. In stating this question petitioners exceed the record, but in any event the holding is correct. There is no allegation that what petitioners make is "within the terms of the claims adjudged valid" of the two patents referred to, nor is there any allegation that petitioner's structures are the same as those involved in such two cases, nor is there any allegation as to "sales resistance." As alleged, no justiciable controversy is presented because at most petitioners merely indicate an apprehension as to what respondent might do. This is not sufficient, because as stated in *Bettis v. Patterson-Ballagh Corp.*, 16 Fed. Sup. 455, 461, D. C. Calif.,

"A person merely apprehending or fearing the assertion of rights against him by another can not bring him into court and compel him to litigate."

It is submitted that the general allegations as to what respondent might do only tend to make the proceeding "a medium for securing an advisory opinion in a controversy which has not arisen" within the prohibition of *Coffman v. Breeze Corps., Inc.*, 323 U. S. 316.

The question is really whether, as to patent 2,030,442, the courts below erred in their concurring decisions that no controversy is shown in 1944 by an allegation that in 1940 respondent, in a suit against another party on a different structure, contended for a construction of a patent which "might bring" petitioner's structure within its purview, no charge of infringement ever having been made against petitioner. As to patent 1,983,283 there is not even the allegation that any contention of respondent's in any case against any party "might bring" petitioner's structures within the patent. Years ago petitioners were charged with infringement of this patent by a long since abandoned struc-

ture. The controversy died at least as early as 1938 when the accused structure was discontinued.

Question 4. The fourth "question presented" (petition p. 12) is whether the courts below erred in holding that the written notices of infringement of 1935 and 1939 and the alleged "omnibus" notice of 1942, "with proof of petitioner's continuing acts of manufacture and marketing as averred in said complaint" are not sufficient to establish an actual controversy. Again the Petition endeavors to raise a question at variance with the record. The "continuing acts" are not so alleged. The allegations show that the structures as to which the 1935 and 1939 notice of infringement related, have been discontinued (Rec. p. 5).

The alleged "omnibus" charge of 1942, although originally stated in the complaint to be a charge that Chicago, Mass. "was infringing" in the latter part of 1942 (Complaint, par. 45, Rec. p. 9) is explained more fully in the affidavit of Mullee (Rec. pp. 39-40). It refers to a letter dated November 25, 1942, by one of respondent's attorneys to an attorney for one of the petitioners in connection with efforts then being made to settle an accounting for past infringement proceeding in an Oklahoma case between these same parties which was decided by the Circuit Court of Appeals from the Tenth Circuit adverse to one of the petitioners. Respondent's attorney in that letter stated that one of the difficulties in attempting to go beyond the issues of that suit itself arose from other patents owned by the respondent which were contended by respondent to "have been infringed" by Chicago, Mass.

Under the circumstances it is apparent that the parties were discussing the old structures of petitioners. The only instance in which the respondent had contended that its patents "have been infringed" were the old 1935 and 1939 notices of infringement. The accounting for past infringement involved those structures.

The Petition, page 9, errs in stating that the "omnibus charge" was that Petitioner "was infringing" and that many patents were "listed." No patents were named, no structures specified, and there was no charge that Petitioners were then infringing. Respondent at that time had seen none of Petitioners' current bits, which were being sold to the United States (Rec., pp. 5, 6, and 38).

The District Court's opinion stated no new or different law when it said:

"The 'omnibus charge', an incident in the Oklahoma proceeding, contained in defendant's attorney's letter to opposing counsel, looking toward settlement, was nothing more than traditional lawyer's chess. The ten year old infringement notice should rest in peace. The day for justiciable resurrection has long since passed. Here, in the present, no charge appears the three-cutter assembly represented by PX, P, Q and R infringes any of defendant's patents, viz., that what plaintiffs now make or sell has been called into question by defendant with respect to any of its patents." (Rec., p. 44.)

The Concurring Decisions of the Lower Courts Are Not in Conflict with Any Decisions of This Court or of Any Circuit Court of Appeals.

The Brief in Support of the Petition argues that there is a probable conflict between the decision below and six other decisions, two of this Court, three of other Circuit Courts of Appeals, and one of its own decisions. No conflict of decision appears. The courts below recognized and applied the established rules of law. It was stated by this Court in *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U. S. 270, 273 (1940) as follows:

"Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties

having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

Examination of the decisions of this Court to which the Petition (pages 20 to 24) refers, discloses no conflict. In *Aetna Life Insurance Co. v. Haworth*, 300 U. S. 227 (1937) this Court held that where an insured filed a claim, as required by the policies, claiming total and permanent disability, and the insurance company denied the disability, the insurance company could maintain a declaratory judgment action. This was a "definite and concrete" and "real and substantial" controversy, as distinguished from an "abstract," "academic" or "moot" controversy. In *Altwater v. Freeman*, 319 U. S. 359 (1943) this Court held that in a suit for specific performance of a license agreement, the defendant could counterclaim for a declaratory judgment that the license did not cover certain reissue patents, as alleged in the complaint, and that the reissue patents were invalid. The defendant sought declaratory relief, because it was under injunction in a previous case, decided prior to the surrender and reissue of the patents. The opinion of the majority of this Court called attention to these facts, showing an existing, pressing controversy. The separate opinion by Mr. Justice Frankfurter, in which Mr. Justice Roberts concurred, is not adequately summarized by Petitioners in the fragment quoted at page 24 of their brief. The portion quoted by Petitioners was expressly not the basis of the decision. A more accurate summary is found in this:

"The lower federal courts ought not to be narrowly confined in determining whether a declaratory judgment is an appropriate remedy under all the circumstances." (319 U. S. 370.)

In *E. W. Bliss v. Cold Metal Process Co.*, 102 F. (2) 105 (C. C. A. 6, 1939) the Court applied the same rule of

law applied herein, but to a different set of facts. That Court recognized that there might be, as there is in the case at bar, "a possible controversy in the past, without present actuality, by reason of abandonment or change of position by adversaries."

Likewise there is no conflict between the decision below and the decision of the Circuit Court of Appeals of the Eighth Circuit in *Reliance Life Insurance Co. v. Burgess*, 112 F. (2) 234 (1940). In that case the Court, in discussing the question of which party had the burden of proof in a declaratory judgment action, commented that the act should be liberally construed to expedite and simplify the ascertainment of uncertain rights. The decisions below are not at variance with this principle.

The facts in *Crowell v. Baker Oil Tools*, 143 F. (2) 1003, (C. C. A. 9, 1944) are not analogous to the facts in the instant case. There, Crowell had made devices infringing Baker Oil Tool's patent and that company in 1936 instituted a suit charging infringement. In 1939 after Crowell had prepared his defense, such suit was dismissed without prejudice on motion of Baker Oil Tool. It also appeared that Crowell intended to make more of the infringing devices and had proceeded with arrangements for manufacture. In the present case no suit had been filed by respondent against petitioners charging infringement of the patents in question and respondent had not otherwise challenged any present structure of petitioners, and there was no allegation that Petitioners intended to make the structures long since discontinued to which the old notices were directed.

The decisions below are in conformity with the decisions of this Court and the Circuit Courts of Appeals. This Court in *Alabama State Federation of Labor, et al. v.*

Robert E. McAdory, et al., 325 U. S. 450, 461, 89 L. Ed. 1725, 1734 (Opinion of the Court by Mr. Chief Justice Stone) said:

“The requirements for a justiciable case or controversy are no less strict in a declaratory judgment proceeding than in any other type of suit. This Court is without power to give advisory opinions. * * * It has long been its considered practice not to decide abstract, hypothetical or contingent questions.”

See also *Coffman v. Breeze Corporations, Inc.*, 323 U. S. 316, 324, 89 L. Ed. 265; *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, 81 L. Ed. 617; and *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 80 L. Ed. 688.

It is well settled that even though a court may determine that it has jurisdiction to hear a declaratory judgment action, the exercise of that jurisdiction is a matter within the discretion of the court. It is also settled that regardless of the basis of a decision below, a reviewing court may affirm a judgment of dismissal on the ground that in the exercise of the court's discretion, relief should have been denied. In *Great Lakes Dredge and Dock Company v. C. C. Huffman*, 319 U. S. 293, 302; 87 L. Ed. 1407 (1943) the plaintiff asked for a declaratory judgment that a state unemployment compensation law was unconstitutional. Both of the lower federal courts held the law valid and entered a judgment of dismissal. The Supreme Court (Opinion by Mr. Chief Justice Stone) affirmed. The Court said in its opinion at pp. 301 and 302:

“The judgment of dismissal below must therefore be affirmed, but solely on the ground that, in the appropriate exercise of the court's discretion, relief by way of a declaratory judgment should have been denied without consideration of the merits.”

In considering whether, in its discretion, the court should hear this case on the merits, the court may consider the

fact that there is no existing controversy as to any present device. The Court may properly in its discretion, decline to act where the issues are dead (*Borchard on Declaratory Judgments*, Second Edition, p. 86). Petitioners' allegations upon which reliance is based to show controversy, are plainly strainings for excuses for bringing a lawsuit and not sound reasons for action. Petitioners are not now engaged in activity which is accruing potential damages such as can be adjudicated in this Court. If there is ever to be an adjudication as to the alleged sales to the government, it must be in the Court of Claims, U. S. Code, Title 35, Sections 68, 94.

Allowance of the prayers of the complaint would be most burdensome to the respondent without any corresponding benefit to petitioners. Several of the patents specifically alleged in the complaint are not shown to have ever been charged to be infringed by anyone, anywhere. There is no occasion for an adjudication as to these. Moreover, petitioners ask that the respondent examine all of its patents named and unnamed and determine which ones may be infringed, and to decide which ones, if any, may be such as to warrant suit if and when facts may develop warranting suit.

In addition to that it must be added in the instant case that the petitioners seek adjudication in respect to drill bits which, according to the allegations of the complaint, they no longer manufacture and sell and have not made or sold within six years prior to the filing of the instant complaint. No need appears for a Declaratory Judgment as to discontinued structures. No need appears for, nor under the law can there be, an adjudication in this action as to devices manufactured for the government. No need appears for an adjudication of a large number of patents, three of which were charged to have been infringed years ago by

discontinued structures, one of which has been adjudicated between the parties and expired, and most of which have never been charged to have been infringed. No need appears to require respondent to examine all of its patents and all of the various devices made or sold by petitioners in years past, in order to see if additional patents can be added to the list compiled by petitioners. A trial of all of these pretended issues would put an intolerable burden upon the Courts and upon the parties.

Respectfully submitted,

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